

The pace of growth for regional nonmanufacturing activity remains at a moderate level, according to firms responding to June's *Nonmanufacturing Business Outlook Survey*. While the survey's index for current general activity at the firm level changed little, the index for current general activity in the region rose. Firms reported positive but slower growth in new orders and sales, and a sharper rise in full-time employment. Survey respondents continued to be optimistic about business activity at their own firms and in the region over the next six months.

### Firms Report Moderate Growth

The diffusion index for current activity at the firm level edged down slightly, to 17.6, in June (see Chart 1). This index has changed little since March and sits below its historical average of 28.9. Almost 40 percent of the respondents reported an increase in firm-level activity in June, compared with 22 percent who reported a decrease. The diffusion index for current general activity in the region increased 6 points, to 10.8. This index has been below its historical average (22.8) for six months.

### New Orders and Sales Remain Positive but Weaken

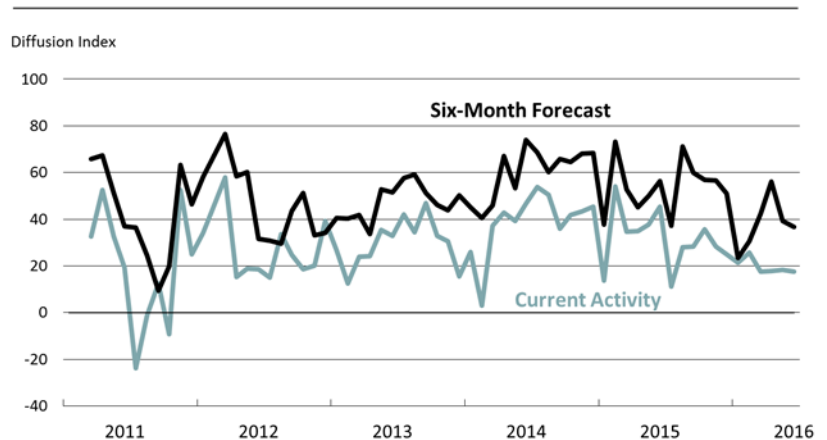
Firms reported slower growth in new orders and sales, overall, this month as the new orders and sales/revenues indexes both experienced declines but remained positive. The new orders index fell 14 points, to 9.4. The share of firms reporting increases (30 percent) exceeded the share of firms reporting decreases (20 percent); however, the share of firms reporting decreases rose from last month. Similarly, the sales/revenues index fell 9 points, to 15.0, as the share of firms reporting declines grew from last month. The unfilled orders index also decreased, edging down 2 points to 2.6.

### Full-time Employment Improves

More firms reported increases in full-time staff levels in June, as the index for full-time employment rose 8 points, to 18.3 (see Chart 2). This is the first month this index has been above its historical average of 14.4 since December 2015. The share of firms reporting an increase in full-time employment was 29 percent this month, compared with 11 percent reporting a decrease. Conditions for part-time employment were little changed from last month, however, as the index for part-time

**Chart 1. Current and Future General Activity Indexes for Firms**

March 2011 to June 2016



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

employment decreased 1 point, to 10.3. This index has been below its historical average of 14.8 for four consecutive months. The workweek index fell 10 points, to 8.9, and the wage and benefit index held steady at 26.7.

### Firms Report Overall Price Increases

The prices paid index increased 3 points, to 25.7, in June. Thirty percent of the firms reported an increase in input prices, and only 4 percent reported a decrease. More firms reported increases in prices for their own goods and services, with the index for prices received rising 5 points, to 10.5, in June. Despite increases in these indexes, most respondents reported no change for both prices paid (51 percent) and prices received (55 percent).

### More Firms Increase Spending on Equipment and Software

Firms reported increases in capital spending, particularly on equipment and software. The index for capital spending on equipment and software rose 7 points, to 27.7. The share of firms reporting increased spending on equipment and software was 35 percent, up from 25 percent last month, while the share reporting decreased spending was 8 percent. The index for

Released June 21, 2016, at 8:30 a.m. ET.

The next *Nonmanufacturing Business Outlook Survey* will be released on July 26, 2016.



physical plant spending fell 5 points, to 12.8. Nineteen percent of the respondents reported increases in plant spending, and 6 percent reported decreases.

### Optimism for Future Activity Remained High

Respondents to the survey continue to be optimistic about future activity both at their firms and in the region through the end of the year. The firm-level future activity index fell slightly from 39.1 in May to 36.7 in June. Fifty percent of the respondents expect activity to increase at their firms, while 14 percent expect activity to decrease. The regional future activity index moved up 1 point, to 26.8: Forty-two percent of the firms expect activity to increase in the region, and 15 percent of the firms expect activity to decrease. Both future activity indexes, however, remain below their historical averages of 49.4 for the firm level and 43.4 for the region.

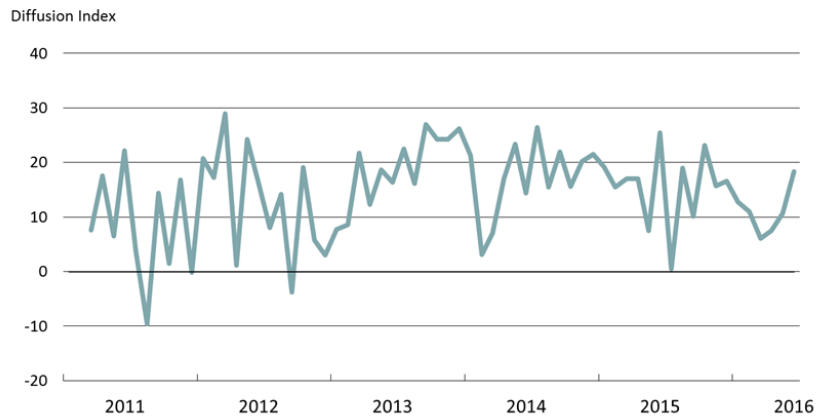
### Summary

Results from the *Nonmanufacturing Business Outlook Survey* suggest continued moderate expansion in the region among nonmanufacturing firms. The index for general activity at the firm level changed little, while index readings for general activity in the region and full-time employment improved. The indexes

for prices paid and prices received were up slightly. Indicators for new orders and sales fell but remained positive. Firms remained optimistic about growth over the next six months. ■

**Chart 2. Full-time Employment Index**

March 2011 to June 2016



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

NONMANUFACTURING BUSINESS OUTLOOK SURVEY June 2016	June vs. May					Six Months from Now vs. June				
	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index
What is your assessment of general business activity for the region?	4.6	30.5	43.3	19.6	10.8	25.5	42.2	34.8	15.4	26.8
What is your assessment of general business activity for your firm?	18.2	39.6	34.8	22.0	17.6	39.1	50.4	30.7	13.7	36.7
Company Business Indicators										
New Orders	23.1	29.8	28.9	20.4	9.4	<b>NOTES:</b> (1) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease. (2) All data are seasonally adjusted. (3) Percentages may not sum to 100 percent because of rounding, omission by respondents, or both. (4) Survey results reflect data received through June 16, 2016.				
Sales or Revenues	23.6	38.4	36.9	23.4	15.0					
Unfilled Orders	4.4	8.2	26.2	5.6	2.6					
Inventories	8.9	6.5	17.5	5.9	0.6					
Prices Paid	22.4	30.1	51.1	4.4	25.7					
Prices Received	5.5	19.8	55.2	9.2	10.5					
Number of Employees – Full-time Permanent	10.6	28.9	60.5	10.6	18.3					
Number of Employees – Part-time, Temporary, and Contract	11.2	22.7	55.9	12.3	10.3					
Average Employee Workweek	19.3	20.4	65.8	11.5	8.9					
Wage and Benefit Costs	26.6	29.3	61.6	2.7	26.7					
Capital Expenditures – Physical Plant	18.2	18.6	46.1	5.9	12.8					
Capital Expenditures – Equipment & Software	20.5	35.4	46.9	7.7	27.7					